

Kingfisher Information Technology Services (UK) Limited

Annual Report and Financial Statements

for the year ended 31 January 2016

Registered number: 02016021

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Kingfisher Information Technology Services (UK) Limited

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Kingfisher Information Technology Services (UK) Limited

Strategic Report for the year ended 31 January 2016

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The company is solely responsible for the provision of IT services, application development, application maintenance and other related areas to wholly owned subsidiaries of Kingfisher plc. Where appropriate, Kingfisher Information Technology Services (UK) Limited has also taken control of all assets and resources, including people and third party supply contracts, required for the provision of these services.

Review of the business

During the year ended 31 January 2016 the company made a profit before taxation of £11,600,000 (2014/15: profit £4,860,000 restated.)

Cost of sales increased from the prior year due to higher project activity undertaken on behalf of the fellow subsidiaries of the Kingfisher Group served by the company. This increase in activity resulted in higher depreciation as well as increased operational costs incurred to provide our service. Turnover represents amounts recharged to fellow subsidiaries and therefore this has increased in line with cost of sales.

Ongoing operational performance of the company is measured internally by the use of Service level agreements (SLA's). The company met its SLA's in 99% of cases in the year (2014/15: 98%).

Project activity continued during the year with work on a major project which aims to transform the multichannel offering of the group. During the year, over 500 different projects were worked on and over 400 went live, demonstrating the continued value of the company in delivering appropriate IT solutions in response to the needs of the subsidiaries of Kingfisher plc.

During 2015 work continued on Easier Group template, after a successful pilot in B&Q Ireland, deployment started within the group beginning with B&Q.

Key performance indicators ("KPIs")

The directors of Kingfisher Information Technology Services (UK) Limited manage the company's operations on a divisional basis. The key performance indicators are the SLA performance and the performance of project teams against certain milestones. The key financial performance indicators are focussed on controlling the cost base. The development, performance and position of the consolidated Kingfisher Group, which includes the company, is discussed on page 2 to 37 of the Kingfisher plc annual report and accounts which does not form part of this report.

Principal risks and uncertainties

The directors have performed a review of the key business risks that could impact the company and consider the more significant risks to be those outlined below. The directors regularly review these risks and assess the adequacy and effectiveness of mitigating controls and strategies.

Reliance on key infrastructure locations and systems failures

All of our operations are vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures and similar events. Disaster recovery and business continuity plans are in place to prevent loss of interruption to key IT services provided to the Kingfisher operating companies.

Kingfisher Information Technology Services (UK) Limited

Strategic Report for the year ended 31 January 2016 (continued)

Key suppliers

Certain parts of our services are reliant upon a small number of key suppliers and we are dependent upon the performance, service and reliability of operating systems, middleware, databases and similar software infrastructure obtained from third party providers. This exposes the company to the risks of those third party applications which may suffer defects or errors which could adversely affect the performance of the products and services that we offer to the group operating companies. As such, all suppliers chosen have stable strategies that produce a mutually beneficial relationship that is carefully managed by both parties.

Some of these key suppliers supply the company with the rights to use software packages via the purchase of licences. The company enters into software licence agreements with these suppliers, many of which have complicated contractual terms. Due to the complexity of these agreements and the nature of delivery of software there is the risk that the company may use more software than it has licences for. This brings the risk that there may be future liabilities. This risk is constantly managed by maintaining asset management policies, procedures and roadmaps, running multiple software discovery tools and employing a specialist asset management team to ensure our licence position is understood and in line with the stipulations of the contracts we have entered into.

Data security

There is a risk that the integrity and security of key data is compromised which may result in prosecution by regulatory bodies, fines from trade and industry bodies and significant damage to brand perception for the Kingfisher Group. This risk is mitigated by ensuring that the company follows the guidelines and legislative requirements in this area.

People

The company is reliant on the capabilities, skills, knowledge and experience of its employees and management team to support the development of our applications and infrastructure and deliver high quality IT services to the group operating companies. As such the company is committed to ensuring that its people are appraised regularly, are given individual development plans and other incentive packages.

Future developments

The directors remain focussed on continually improving the delivery of IT services and value adding projects to the Kingfisher plc group companies.

Events after the balance sheet date

There have been no significant events since the balance sheet date.

Approval

Approved by the Board and signed on its behalf by:



A Godwin
Director

12/1/16

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 31 January 2016

The directors present their report and audited financial statements of Kingfisher Information Technology Services (UK) Limited for the year ended 31 January 2016.

Results and dividends

The profit after taxation for the financial year amounted to £9,800,000 (2014/15: £3,949,000 restated). The directors do not recommend the payment of a dividend for the financial year (2014/15: £nil). The profit for the financial year has been transferred to reserves.

Future developments

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

Research and development

During the year £81,339,000 (2014/15: £113,781,000) was spent on development of which £785,000 (2014/15: £3,459,000) related to early development activities that did not qualify for capitalisation.

Going concern

The directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. The going concern basis has been adopted based on the expectation that there will be continued funding from the ultimate parent company as required.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks which include interest rate risk, credit risk, liquidity risk and foreign currency risk.

As part of the Kingfisher plc group, the company's interest rate and liquidity risks are managed centrally by the Kingfisher Group treasury department. The Kingfisher Group treasury department has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related finance costs.

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The directors are satisfied that the company is not subject to significant liquidity risk due to continued funding from the ultimate parent company.

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. All of the company's trade debtors are amounts due from Kingfisher plc group companies; therefore the directors believe that the credit risk for the company is low.

The company is exposed to foreign currency risk on the recharge of IT services received from a group undertaking, principally Euros. This risk is offset by the recharge of IT services to other group undertakings in Euros. The directors are satisfied that the foreign currency risk of the company is low in line with the other disclosures provided.

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 31 January 2016 (continued)

Directors

The directors, who served throughout the year except as noted, were as follows:

A Godwin	
D Haycocks	
D Paramor	(resigned 7th September 2015)
J Pawlenka	
RCF Wardle	(resigned 4th July 2016)
S Willett	
D Palmer	
M El Fanichi	(appointed 23rd February 2015)
G Porter	(appointed 10th August 2016)
D Morris (Secretary)	(resigned 7th August 2015)
R Cordeschi (Secretary)	(appointed 7th August 2015)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company operates a policy of direct and systematic communication on all relevant matters including the company's business performance and current market issues with employees via several channels of communication, including engagement surveys, briefing groups, employee forums and internal newsletters. Senior management hold quarterly briefing sessions with employees where the financial results of both the company and Kingfisher plc are discussed, along with the economic factors that may impact the performance of the company and the group. In addition, Kingfisher plc's intranet systems are used to communicate results announcements for the group and to distribute information about other important business developments. All employees are entitled to participate in a savings related share option scheme operated by Kingfisher plc, the parent undertaking, regardless of number of hours worked, provided they meet certain service conditions. In addition, all employees are entitled to participate in the annual bonus scheme.

Appointment of Auditor

Deloitte LLP will continue to hold office in accordance with section 475 of the Companies Act 2006.

Statement of disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 31 January 2016 (continued)

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the independent auditors report, is made with a view to distinguishing for shareholders the responsibilities of the directors and the auditors in relation to these financial statements.

The directors are responsible for preparing the Annual Report including the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by:


A Godwin
Director

12/8/16

Kingfisher Information Technology Services (UK) Limited

Independent auditor's report to the members of Kingfisher Information Technology Services (UK) Limited

We have audited the financial statements of Kingfisher Information Technology Services UK Ltd for the year ended 31st January 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

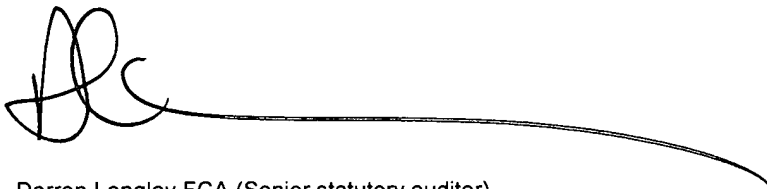
Kingfisher Information Technology Services (UK) Limited

Independent auditor's report to the members of Kingfisher Information Technology Services (UK) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Darren Longley FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading

16 August 2016

Kingfisher Information Technology Services (UK) Limited

Income Statement for the year ended 31 January 2016

£'000	Notes	2015/16			2014/15		
		Before exceptional items	Exceptional items (note 3)	Total	Before exceptional items	Exceptional items (note 3)	Total
Sales	5	180,688	-	180,688	166,370	-	166,370
Cost of sales		(159,830)	-	(159,830)	(146,647)	(5,377)	(152,024)
Gross profit		20,858	-	20,858	19,723	(5,377)	14,346
Administrative expenses		(9,638)	-	(9,638)	(10,263)	-	(10,263)
Operating profit		11,220	-	11,220	9,460	(5,377)	4,083
Finance costs	4	(253)	-	(253)	(214)	-	(214)
Finance income	4	633	-	633	991	-	991
Net finance income		380	-	380	777	-	777
Profit before taxation	5	11,600	-	11,600	10,237	(5,377)	4,860
Income tax expense	7	(1,800)	-	(1,800)	(911)	-	(911)
Profit for the year		9,800	-	9,800	9,326	(5,377)	3,949

All of the above transactions relate to continuing operations.

Kingfisher Information Technology Services (UK) Limited

Statement of comprehensive income for the year ended 31 January 2016

£'000	Notes	2015/16	2014/15
Profit for the year		9,800	3,949
Actuarial gains on post-employment benefits		622	8,903
Tax on items that will not be reclassified		(547)	(3,623)
Total items that will not be reclassified subsequently to profit or loss		75	5,280
Other comprehensive income for the year		75	5,280
Total comprehensive income for the year		9,875	9,229

Kingfisher Information Technology Services (UK) Limited

Statement of changes in equity at 31 January 2016

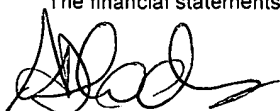
£'000	Attributable to equity shareholders of the Company						Total
	Share capital	Share premium	Retained earnings	Translation reserve	Revaluation reserve	Cash flow hedge reserve	
At 1 February 2015 (restated note 22)	235,000	-	7,896	-	-	-	242,896
Profit for the year	-	-	9,800	-	-	-	9,800
Other comprehensive income for the year	-	-	75	-	-	-	75
Total comprehensive income for the year	-	-	9,875	-	-	-	9,875
Share-based compensation - charge (note 18)	-	-	289	-	-	-	289
Share-based compensation - recharge payment (note 18)	-	-	(1,769)	-	-	-	(1,769)
Tax on share-based payment transactions	-	-	105	-	-	-	105
At 31 January 2016	235,000	-	16,396	-	-	-	251,396
At 2 February 2014 (as previously reported)	235,000	-	(8,272)	-	-	-	226,728
Effect of changes in accounting policies (Note 1)	-	-	5,909	-	-	-	5,909
At 2 February 2014 (restated note 22)	235,000	-	(2,363)	-	-	-	232,637
Profit for the year	-	-	3,949	-	-	-	3,949
Other comprehensive income for the year	-	-	5,280	-	-	-	5,280
Total comprehensive income for the year	-	-	9,229	-	-	-	9,229
Share-based compensation - charge (note 18)	-	-	1,096	-	-	-	1,096
Tax on share-based payment transactions	-	-	(66)	-	-	-	(66)
As at 31 January 2015	235,000	-	7,896	-	-	-	242,896

Kingfisher Information Technology Services (UK) Limited

Balance sheet at 31 January 2016

£'000	Notes	2015/16	2014/15
Non-current assets			
Intangible assets	8	256,750	233,556
Property, plant and equipment	9	53,186	52,377
Post-employment benefits	16	23,445	20,601
		333,381	306,534
Current assets			
Trade and other receivables	10	36,087	28,037
		36,087	28,037
Total assets		369,468	334,571
Current liabilities			
Trade and other payables	11	(106,694)	(80,232)
Borrowings	13	(172)	(256)
		(106,866)	(80,488)
Non-current liabilities			
Borrowings	13	(45)	(179)
Provisions	14, 15	(11,161)	(11,008)
		(11,206)	(11,187)
Total liabilities		(118,072)	(91,675)
Net assets		251,396	242,896
Equity			
Share capital	17	235,000	235,000
Retained earnings		16,396	7,896
Total equity		251,396	242,896

The financial statements were approved by the Board of Directors on 10th August 2016 and were signed on its behalf by:


 A Godwin
 Director
 12/8/16

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

1 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

Kingfisher Information Technology Services (UK) Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3. The address of the registered office is Kingfisher Information Technology Services(UK) Limited, 3 Sheldon Square, Paddington, London, W2 6PX.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 January 2016 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 22.

The current financial year is the 52 weeks ended 31 January 2016 ('the year' or '2015/16'). The comparative financial year is the 52 weeks ended 31 January 2015 ('the prior year' or '2014/15'). The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006.

These financial statements are separate financial statements. The company is exempt under section 400 of the Companies Act 2006 from the preparation of consolidated financial statements as it is included in the group accounts of its ultimate parent, Kingfisher plc.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts of Kingfisher plc. The consolidated accounts of Kingfisher plc are publically available.

b. Going Concern

The directors of Kingfisher Information Technology Limited, having made appropriate enquiries, consider that adequate resources exist for the company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

c. Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction or, for practical reasons, at average monthly rates where exchange rates do not fluctuate significantly.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

d. Revenue recognition

Turnover represents the recharge of IT services to companies within the Kingfisher Group. It comprises the recharge of all IT operating costs and overheads. Revenue relating to the delivery of IT services and projects to companies within the Kingfisher Group is recognised at the point when the service is provided.

e. Cost of sales

Cost of sales represents the expenditure attributable to directly supporting and maintaining the IT hardware and applications of the group and project support costs.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

1 Principal accounting policies (continued)

f. Finance income and costs

Finance income is recognised as income in the period in which it is earned. Finance costs are recognised as an expense in the period in which they are incurred.

g. Employee benefits

(i) *Post-employment benefits*

Kingfisher plc operates, on behalf of the company, a defined benefit and a defined contribution pension scheme for its employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which the company usually pays fixed contributions into a separate entity. In each case a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies, and are held entirely separate from the company's assets.

Defined contribution scheme

For defined contribution plans, the company pays contributions to privately administered pension plans on a contractual basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit scheme

In accordance with 'FRS 17 – Retirement benefits', the operating and financial costs of pension and other post-retirement benefits are recognised separately in the Profit and Loss account. Current service costs are recognised within operating profit and the interest cost and expected return on pension assets included in financing costs.

The asset or liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of the scheme assets at the Balance Sheet date, together with adjustment for any past services not yet recognised. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. An independent 'FRS 17' actuarial valuation is carried out at each Balance Sheet date.

A net pension asset is only recognised to the extent that it is recoverable either through reduced future contributions or through agreed refunds from the scheme.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to statement of comprehensive income as they arise.

During the prior period, and following consultation with the active members, the UK final salary pension scheme was closed to future benefit accrual with effect from 30 June 2012. See note 16 for further details.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

1 Principal accounting policies (continued)

(ii) *Share-based compensation*

The company participates in several equity-settled, share-based compensation plans. The plans are settled on vesting with ultimate parent company shares and accounted for as equity-settled arrangements. As a result, the profit and loss account is charged with the expense with the corresponding entry to equity. On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the company is recharged for the award.

The fair value of the company's employees' services received in exchange for the grant of options or deferred shares is recognised as an expense and is calculated using Black-Scholes and stochastic models. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or deferred shares granted, excluding the impact of any non-market vesting conditions. The value of the charge is adjusted to reflect expected and actual levels of options vesting due to non-market vesting conditions.

h. **Taxation**

The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill in a business combination. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are calculated using tax rates which have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Current and deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the company intends to settle its current tax assets and liabilities on a net basis.

i. **Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

1 Principal accounting policies (continued)

j. Intangible assets

(i) Computer software

Where software is not an integral part of a related item of computer hardware, it is classified as an intangible asset.

Costs that are directly associated with the acquisition or production of identifiable software products controlled by the company, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised costs include those of software licences and development, including costs of employees, consultants and an appropriate portion of relevant overheads.

Costs associated with identifying, sourcing, evaluating or maintaining computer software are recognised as an expense as incurred.

Software under development is held at cost less any provisions for impairment, with impairment reviews being performed annually.

Amortisation commences when the software assets are available for use and is over their estimated useful lives of two to ten years on a straight line basis.

k. Property, plant and equipment

(i) Cost

Property, plant and equipment held for use in the business are carried at cost less accumulated depreciation and any provisions for impairment.

(ii) Depreciation

Depreciation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset on a straight line basis as follows:

Fixtures and fittings – between 4 and 20 years

Computers and electronic equipment – between 3 and 5 years

(iii) Impairment

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the year in which it occurs.

(iv) Disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Sales of land and buildings are accounted for when there is an unconditional exchange of contracts.

(v) Subsequent costs

Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

l. Research and development

Research expenditure is expensed as incurred. Development expenditure is also expensed as incurred, except where recognition criteria have been met for capitalisation as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised and amortised over the period during which the group is expected to benefit.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

1 Principal accounting policies (continued)

m. Leased Assets

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the lower of the fair value or the present value of the minimum lease payments during the lease term at the inception of the lease. The assets are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under borrowings due within or after one year. The finance charge element of rentals is charged to finance costs in the income statement over the lease term.

All other leases are operating leases and the rental payments are generally charged to the income statement in the period to which the payments relate, except for those leases which incorporate fixed minimum rental uplift clauses. Leases which contain fixed minimum rental uplifts are charged to the income statement on a straight line basis over the lease term.

Incentives received or paid to enter into lease agreements are released to the income statement on a straight line basis over the lease term.

n. Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

o. Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost less any provision for bad and doubtful debts.

p. Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the company has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only when the company has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Borrowings

Interest bearing borrowings are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

2 Critical accounting estimates and judgements

The preparation of the financial statements under FRS101 requires the company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates, judgements and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of property plant and equipment and other intangible assets

As required, the company applies procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures, by their nature, require estimates and assumptions to be made.

Property, plant and equipment and other intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Computer software under development is assessed for impairment annually. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined as the higher of fair value less costs to sell and value-in-use, calculated on the basis of management's assumptions and estimates. Refer to accounting policy property, plant and equipment and intangible assets for further information.

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

3 Exceptional items

£'000	2015/16	2014/15
Included within cost of sales		
Impairment of assets	-	(5,377)
	-	(5,377)
Exceptional items before tax	-	(5,377)
Exceptional tax items	-	-
Exceptional items	-	(5,377)

During the prior year £5,377,000 was recognised in relation to the impairment of certain projects.

4 Net finance (costs)/income

£'000	2015/16	2014/15
Finance leases	(23)	(76)
Interest payable to Group undertakings	(230)	(138)
Finance costs	(253)	(214)
Net interest income on defined benefit pension schemes	633	991
Finance income	633	991
Net finance income	380	777

5 Profit before taxation

The following items of revenue have been credited in arriving at profit before taxation:

£'000	2015/16	2014/15
Sales	180,688	166,370
Finance income	633	991
Revenue	181,321	167,361

The following items of expense/(income) have been charged/(credited) in arriving at profit before taxation:

£'000	2015/16	2014/15
Research and development costs	785	3,459
Amortisation of other intangible assets ⁽¹⁾	39,513	28,472
Depreciation of property, plant and equipment and investment property		
- Owned assets	16,152	14,421
- Under finance leases	323	300
Impairment of property, plant and equipment and investment property	(2,618)	819
Impairment of other intangible assets	3,181	734
Staff costs	19,012	19,396
Exceptional items	-	5,377
Audit fees payable to the company's auditor		
<i>For the audit of the company's annual accounts</i>	20	10

(1) Amortisation of other intangibles assets charge £39,513,000 (2014/15: £28,472,000) are included in cost of sales.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

6 Employees and directors

£'000	2015/16	2014/15
Wages and salaries	21,107	19,620
Social security costs	2,656	2,030
Post-employment benefits	-	-
- Defined contribution	1,571	1,535
- Defined benefit (service cost only)	111	106
Share-based compensation	289	1,096
Employee benefit expenses	25,734	24,387

	2015/16	2014/15
Administration	373	363
Average number of persons employed	373	363

Director's remuneration		
£'000	2015/16	2014/15
Short-term employee benefits	1,359	728
Company contributions to money purchase pension scheme	87	61
Director's remuneration	1,446	789

The number of directors who:

Number	2015/16	2014/15
Are members of a defined contribution pension scheme	4	4
Exercised options during the period	2	1

Remuneration of the highest paid director

£'000	2015/16	2014/15
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	480	327
Company contributions to money purchase pension scheme	21	24
	501	351

The highest paid director did not exercise any share options during the year.

The emoluments of Mr D Palmer, Mr D Haycocks and Mr M Fanichi are paid by the company. The emoluments of Mr A Godwin are paid by the parent company and are recharged to this company.

The emoluments of Mr S Willett, Mr J Pawlenka and Mr R Cordeschi (Secretary) are paid by the ultimate parent company which makes no recharge to the company. Mr S Willett, Mr J Pawlenka and Mr R Cordeschi have management responsibilities across a number of fellow subsidiaries within the Kingfisher Group and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

The emoluments of Mr D Paramor who resigned from the company on 7th September 2015 were paid by the ultimate parent company and not recharged to this company. After the year end Ms RCF Wardle resigned from the company effective 4th July 2016, the emoluments of Ms RCF Wardle were not charged to this company. Ms RCF Wardle had management responsibilities across a number of fellow subsidiaries within the Kingfisher Group and it was not possible to make an accurate apportionment of her emoluments in respect of each of the subsidiaries. The emoluments of Mr D Morris (Secretary) were paid by the parent company and not recharged to this company.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

7 Income tax expense

£'000	2015/16	2014/15
UK corporation tax		
Current tax on profits for the year	(3,356)	780
Adjustments in respect of prior years	704	(10)
	(2,652)	770
Deferred tax		
Current year	1,151	(1,654)
Adjustments in respect of changes in tax rates	156	
Adjustments in respect of prior years	(455)	(27)
	852	(1,681)
Income tax expense	(1,800)	(911)

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20.17% (2014/15: 21.33%). The differences are explained below:

£'000	2015/16	2014/15
Profit before taxation	11,600	4,860
Profit multiplied by the standard rate of corporation tax in the UK of 20.17% (2014/15: 21.33%)	(2,340)	(729)
Net income not chargeable for tax purposes	-	(154)
Temporary differences:		
- Timing differences provided for	-	(91)
Expenses not deductible	101	100
Adjustments in respect of prior years	249	(37)
Adjustments in respect of changes in tax rates	190	
Income tax expense	(1,800)	(911)

The UK corporation tax rate decreased from 21% to 20% from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at a blended rate of 20.17% (2014/15: 21.3%).

From 1 April 2017 the rate of Corporation Tax will fall from 20% to 19%, and from 1 April 2020 will fall again to 18%. These changes have been enacted.

In March 2016 the UK Government announced that the reduction in the statutory rate from 1 April 2020 would be 2%, resulting in a rate of 17%. As this further reduction has not yet been substantively enacted, the impact is not included in these financial statements.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

8 Intangible assets

£'000	Computer software	Total
Cost		
At 1 February 2015	423,038	423,038
Additions	65,888	65,888
At 31 January 2016	488,926	488,926
Amortisation		
At 1 February 2015	(189,482)	(189,482)
Charge for the year	(39,513)	(39,513)
Impairment losses	(3,181)	(3,181)
At 31 January 2016	(232,176)	(232,176)
Net carrying amount		
At 31 January 2016	256,750	256,750
At 31 January 2015	233,556	233,556

During the year an impairment loss of £3,181,000 (2014/15: £734,000) has been recognised for software which is deemed to have no value to the business. This is based on value in use.

9 Property, plant and equipment

£'000	Fixtures, fittings and equipment	Total
Cost		
At 1 February 2015	114,890	114,890
Additions	14,666	14,666
At 31 January 2016	129,556	129,556
Depreciation		
At 1 February 2015	(62,513)	(62,513)
Charge for the year	(16,475)	(16,475)
Impairment	2,618	2,618
At 31 January 2016	(76,370)	(76,370)
Net carrying amount		
At 31 January 2016	53,186	53,186
At 31 January 2015	52,377	52,377
Assets in the course of construction included above at net carrying amount		
At 31 January 2016	7,881	7,881
At 31 January 2015	7,861	7,861
Assets held under finance leases included above at net carrying amount		
At 31 January 2016	529	529
At 31 January 2015	784	784

During the year an impairment credit of £2,618,000 (2014/15 £819,000 loss) has been recognised, which represents the value in use of the related assets. This has arisen due to the way shared infrastructure costs were allocated historically, which resulted in credits remaining within assets in the course of construction.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

10 Trade and other receivables

£'000	2015/16	2014/15
Current		
Corporation tax	41	2,859
Amounts owed by Group undertakings	14,530	10,981
Prepayments	16,529	9,223
Other taxation	4,357	4,566
Other receivables	630	408
Trade and other receivables	36,087	28,037

There are two types of intra-group accounts: non-interest bearing accounts with other Kingfisher Group subsidiaries and an interest bearing treasury account with Kingfisher plc. All accounts are unsecured and repayable on demand. The average daily interest rate on the treasury account during the year was 0.49%.

11 Trade and other payables

£'000	2015/16	2014/15
Current		
Trade payables	(15,331)	(10,622)
Amounts owed to Group undertakings	(65,623)	(40,618)
Other taxation and social security	(1,147)	(1,043)
Accruals and other payables	(24,593)	(27,949)
Trade and other payables	(106,694)	(80,232)

There are two types of intra-group accounts: non-interest bearing accounts with other Kingfisher Group subsidiaries and an interest bearing treasury account with Kingfisher plc. All accounts are unsecured and repayable on demand. The average daily interest rate on the treasury account during the year was 0.49%.

12 Finance leases

£'000	2015/16	2014/15
Due within one year	(178)	(277)
due in one to two years	(45)	(183)
	(223)	(460)
Less amounts representing interest relating to future periods	6	25
	(217)	(435)

The company leases various equipment related to its data centres.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

13 Borrowings

£'000	2015/16	2014/15
Current		
Finance leases	(172)	(256)
	(172)	(256)
Non-current		
Finance leases	(45)	(179)
	(45)	(179)

The company leases various equipment related to its data centres.

14 Deferred tax

£'000	2015/16	2014/15
Deferred tax assets	577	23
Deferred tax liabilities	(11,738)	(11,031)
	(11,161)	(11,008)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

Deferred tax is provided as follows:

£'000	2015/16	2014/15
Accelerated tax depreciation	(3,532)	(4,329)
Provisions	-	23
Post-employment benefits	(8,206)	(7,210)
Other	577	508
Total deferred tax	(11,161)	(11,008)

The company has historically been profitable and is anticipated to continue to be profitable. Therefore it is anticipated that there will be sufficient, suitable future taxable profits as the deferred tax assets unwind.

15 Provisions

£'000	Employee payments on closure of final salary pension scheme	Deferred Tax	Total
At 1 February 2015	-	(11,008)	(11,008)
Credit to income statement	-	852	852
Charge to other comprehensive income	-	(983)	(983)
Other	-	(22)	(22)
At 31 January 2016	-	(11,161)	(11,161)
At 2 February 2014	(3)	(5,155)	(5,158)
Charge to income statement	-	(1,681)	(1,681)
Utilised in the year	3	-	3
Charge to other comprehensive income	-	(4,172)	(4,172)
At 31 January 2015	-	(11,008)	(11,008)
Current liabilities			
Non-current liabilities	-	(11,161)	(11,161)
	-	(11,161)	(11,161)

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

16 Post-employment benefits

The company participates in both a funded defined benefit scheme and a funded defined contribution scheme.

Defined contribution schemes

Pension costs for the defined contribution scheme, at rates specified in the scheme's rules, are as follows:

£'000	2015/16	2014/15
Charge to operating profit	1,571	1,535

From July 2012 an enhanced defined contribution scheme has been offered to all company employees. Eligible company employees have been automatically enrolled into the defined contribution scheme since 31 March 2013.

Defined benefit schemes

The company is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2013 and has been updated to 31 January 2016.

The company's share of the net defined benefit cost is allocated in accordance with its share of the contractually agreed contributions.

The estimated amount of contributions expected to be paid to the pension scheme by the company during the next financial year is £1,779,000 (2015/16: £1,900,000)

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

In 2010/11 and 2011/12 the company entered into two phases of a property partnership arrangement with the scheme Trustee to address an element of the scheme deficit.

Further details are given in note 27 of the consolidated financial statements of Kingfisher plc, the company's ultimate parent. The reported pension position reflects the company's share of the resulting scheme asset.

Income statement

£'000	2015/16	2014/15
Operating cost	323	264
Net Interest expense/(income)	(633)	(991)
Total charged/(credited) to income statement	(310)	(727)

Balance Sheet

£'000	2015/16	2014/15
Present value of defined benefit obligation	(125,569)	(137,873)
Fair value of scheme assets	149,014	158,474
Net surplus in scheme	23,445	20,601

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

17 Share capital

	Number of ordinary shares thousands	Ordinary share capital £'000
Authorised shares	340,000	340,000
Allotted issued and fully paid at 01 February 2015 and 31 January 2016	235,000	235,000

18 Share-based payments

The company participates in a number of share option schemes including the Kingfisher Incentive Share Scheme ('KISS'), Restricted Special Awards, Kingfisher Retention Plan, Performance Share Plan and UK ShareSave scheme.

The Kingfisher Incentive Share Scheme ('KISS') and Performance Share Plan are described as part of the Director's Remuneration Report of the Kingfisher plc Annual Report and Financial Statements. Restricted Awards are granted as one-off compensatory awards granted under the rules of the KISS. They are granted as nil cost options, as with the KISS, but do not accrue dividends until after they are exercised. Vesting dates may vary according to individual grants.

Under the ShareSave scheme, eligible employees have been invited to enter in to HMRC approved savings contracts for a period of three or five years, whereby shares may be acquired with savings under the contract. The option price is the average market price over three days shortly before the invitation to subscribe, discounted by 20%. Options are exercisable within a six month period from the conclusion of a three or five year period.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

The rights for each of the instruments is granted by the ultimate parent company, Kingfisher plc, and settled by shares in Kingfisher plc. On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the company is recharged the fair value of the award.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £3.54 (2014/15: £3.49). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 3.5 years (2014/15: 3.6 years).

The company recognised a total expense of £289,000 in the year ended 31 January 2016 (2014/15: £1,096,000) relating to equity-settled share-based payment transactions.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

19 Capital Commitments

Capital commitments contracted but not provided for by the company amount to £14,854,000 (2014/15: £14,161,000).

20 Ultimate parent undertaking

The ultimate parent and controlling company is Kingfisher plc, which is registered in England and Wales. A copy of the annual report and accounts of the ultimate parent company can be obtained (printed or downloaded) from www.kingfisher.com or from the Company Secretary, Kingfisher plc, 3 Sheldon Square, Paddington, London, W2 6PX. The immediate parent company is Kingfisher International Investments SASU, which is registered in France.

21 Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2016

22 Explanation of transition to FRS101

This is the first year that the company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 January 2015 and the date of transition to FRS 101 is therefore 2 February 2014.

Reconciliation of equity

£'000	At 31 January 2015	At 2 February 2014
Equity reported under previous UK GAAP	229,761	226,728
Adjustments to equity on transition to FRS 101		
Recognition of defined benefit pension scheme surplus	20,601	9,112
Holiday pay	(112)	(112)
Tax adjustments	(7,354)	(3,091)
Equity reported under FRS 101	242,896	232,637

Notes to the reconciliation of equity at 31 January 2015

Holiday Pay

IAS 19 'Employee benefits' requires short-term employee benefits earned by an employee, such as paid absences for holiday, sickness or maternity leave, to be recognised during the accounting period in which they are earned.

As a result, the company's FRS101 opening balance sheet at 2 February 2014 includes an additional accrual of £112,000 in relation to accrued holiday pay. The net pre-tax impact on the Income statement for the year ended 31 January 2015 was a nil as no change was required to the provision.

Post-Employment benefits

There are three adjustments to Post-Employment Benefits arising from the transition to FRS101. The first being the requirement to reclassify costs of administering the pension scheme from interest return (UK GAAP) to operating profit (FRS101). Secondly net pension surplus are able to be recognised under FRS101, whereas not recognised under previous UK GAAP. Thirdly net interest under FRS101 is calculated based on opening discount rate, rather than opening asset return assumption.

The company's opening FRS101 Balance sheet reflects the company's share of the assets and liabilities of the Kingfisher plc defined benefit pension schemes totalling a net asset of £9,112,000. The actuarial gain before tax of £11,489,000 arising in the year ended 31 January 2015 has been recorded in the Statement of comprehensive income.

Deferred and current taxes

The scope of IAS 12 'Income Taxes' is wider than the corresponding UK GAAP standards, and requires deferred tax to be provided on temporary differences rather than just taxable timing differences as under UK GAAP.

As a result, the company's FRS101 opening Balance sheet at 2 February 2014 included an additional deferred tax liability of £3,091,000. The majority of this adjustment related to the deferred tax provided on the pension asset recognised at 2 February 2014.

Reconciliation of total comprehensive income for 2014/15

£'000	
Total comprehensive income for the financial year under previous UK GAAP	1,937
Post-employment benefits	11,489
Tax on items that will not be reclassified	(4,021)
Tax adjustments	(176)
Total comprehensive income for the financial year under FRS 101	9,229

Notes to the reconciliation of comprehensive income for 2014/15

Under FRS 101 the company is able to recognise the net surplus of the defined benefit pension scheme, whereas this was precluded under previous UK GAAP; and net interest on the scheme assets and liabilities under FRS 101 is calculated based on opening discount rate, rather than opening asset return assumption.